

Organizations Make Good Captive Candidates

Captive insurance companies have increased in popularity over the last several years, with increasingly more organizations realizing the benefits and cost-effectiveness of a captive in managing risk. A captive structure reflects a business' risk profile and its exposures rather than how the traditional commercial insurance market determines rates. What's more, over the years, the scope of risks a captive can cover has moved beyond property, professional liability, and workers' compensation to employee benefits, medical stop loss, supply chain risks and cyber liability.

Also, captives are no longer solely for large corporations with smaller and mid-size companies leveraging the benefits of these structures. There are many different types of captives: Single-Parent Captives (Pure), Group Captives, Agency Captives, Protected Cell Captives (PCCs), Micro Captives, and Risk Retention Groups (RRGs), among others. These entities have helped lower the financial and logistical barriers to entry for many organizations, expanding their appeal to a much broader market.

Moreover, the number of jurisdictions has increased with currently 37 states allowing captives to be established, and increasingly more looking into to becoming the home for captive insurers. Captives, however, are not for every organization, and it's important to consider several key factors before a business spends the money and resources to have a feasibility study conducted to determine whether a captive makes sense. These factors include:

- Does the organization have a proactive approach to robust risk management?
- Does the business have a long-term commitment to risk financing
- Are there reasonably predictable insurance risks?
- Is the organization's risk approach aligned with its overall business objectives?
- Is there true interest by management to finance assumed risk positions?
- Is the company's loss ratio better than the industry's average?
- Is the organization currently self-insuring or using a large deductible?

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It's also important that organizations realize that setting up a captive requires a long-term commitment in order to fully leverage the many benefits it offers. Caitlin Morgan specializes in captive formation and management and can assist you and your clients in determining whether a captive is right for them.

Interested in a captive for your company, agency or group?

Contact



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